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DEPARTMENT FOR EUR DAS KRAMER, EUR/AGS, EUR/UMB

E.O. 12958: DECL: 11/24/2016  
TAGS: [EFIN](#) [EPET](#) [ENGR](#) [BO](#) [UKR](#) [AU](#)  
SUBJECT: RAIFFEISEN ON BELARUS, UKRAINE, THE SALE OF BAWAG,  
AND THE PARLIAMENTARY BANK HEARINGS

REF: A) VIENNA 1089 B) 06/12/06 PURCELL/NELSON EMAIL  
C) VIENNA 789

Classified By: Charge d'Affaires a.i. Gregory E. Phillips for reasons  
1.5 (b) and (d).

11. (C) Summary: Friedrich Sommer, Raiffeisen Zentralbank's General Counsel, confirmed to us on November 17 that no senior Belarus officials have accounts with Raiffeisen's Belarus subsidiary, Priorbank. Raiffeisen International Bank-Holding has definitively ended its controversial trusteeship with RosUkrEnergo, the Russian-Ukrainian gas joint venture. Sommer also offered comments on domestic banking issues, noting that the U.S. investment fund Cerberus appears to have the inside track to buy BAWAG, Austria's troubled, fourth largest bank. Sommer opined that the on-going parliamentary bank hearings would soon fizzle out, as a wide swath of Austria's political spectrum recognizes the hearings would damage the reputation of Austria's financial sector. End Summary.

Raiffeisen Confirms: No Business with Belarus Leadership  
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12. (C) In ref A meeting with EUR DAS Kramer, Raiffeisen International Bank-Holding AG (RIAG) Chairman Herbert Stepic promised to share with the USG, on an informal and confidential basis, the names of any Belarus regime officials

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who have accounts with RIAG's Belarus subsidiary, Priorbank. Post followed up on November 17 with Friedrich Sommer, Raiffeisen Zentralbank's General Counsel. Sommer confirmed that none of the Belarus officials of concern to the USG (ref B) have accounts with Priorbank. Sommer added that Priorbank would not allow any Belarus official subject to the EU's financial sanctions to open an account with Priorbank.

Raiffeisen No Longer Trustee For RosUkrEnergo Joint Venture  
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13. (C) Sommer said that RIAG had completely pulled out of its trustee function with the controversial RosUkrEnergo (RUE) gas joint venture (ref C). According to Sommer, RUE's owners ultimately decided not to make an initial public offering (IPO) on the London Stock Exchange. Sommer said RIAG had at one point considered buying a small minority position in RUE in the event of an IPO, but had not done so. Sommer confirmed that, when RIAG ended its trusteeship with RUE, RIAG received a lump sum remuneration of Euro 10 million from RUE in accordance with its contract.

## Sale of BAWAG: Cerberus Has the Inside Track

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14. (C) Regarding the sale of BAWAG, Austria's troubled, fourth largest bank, Sommer acknowledged that Cerberus, the U.S. investment fund, appeared to have the inside track. Cerberus, U.S. investment fund Lone Star, the Bayerische Landesbank, and an unknown fourth party have all submitted binding bids to purchase BAWAG. Sommer estimated that BAWAG, which Austria's Trade Union Federation (OGB) owns, is worth Euro 2.3-2.5 billion.

## Parliamentary Banking Investigation

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15. (C) In Sommer's view, the on-going parliamentary banking investigation would slowly, but surely, fizzle out. The Social Democrats (SPO) had agreed to press forward with the hearings as a sop to the Greens. However, following overwhelming criticism of the hearings from across the political spectrum, the SPO is trying to backpedal somewhat. According to Sommer, the hearings would be useless, given Austria's bank secrecy laws, which protect the identity of bank customers, except in criminal investigations. Sommer admitted that critical references to Austrian banks' "eastern business" most likely refers to RIAG's experience with RUE. Phillips